Smith Kline & French Laboratories Ltd v Salim (Malaysia) Sdn Bhd

HIGH COURT (KUALA LUMPUR) – CIVIL SUIT NO C 1181 OF 1984
VC GEORGE J
30 MARCH 1989

Patents – Drug manufactured in Britain and other countries – Patents in respect of drug registered by plaintiffs in United Kingdom and then in Malaysia – Defendants importing and re-selling drug in Malaysia without notice of any restriction in respect of import and re-sale – Whether plaintiffs' rights infringed – UK Patents Act 1977, s 60(1) – Registration of United Kingdom Patents Act 1951, s 6

Civil Law Act – Application of English common law and rules of equity and English mercantile law – United Kingdom statute – Whether applicable in Malaysia – Mercantile law – Whether includes laws pertaining to intellectual property – Civil Law Act 1956, ss 3(1) & 5(1)

Statutory Interpretation – Statute providing for application of foreign legislation – No administrative machinery for implementation of foreign legislation – Impossibility of application of general or certain provisions of foreign legislation – Jurisdiction of court – UK Patents Act 1977, s 60(1) – Registration of United Kingdom Patents Act 1951, s 6

The plaintiffs were grantees of two letters of patent for the drug cimetidine in the United Kingdom which patents had been registered in West Malaysia pursuant to the Malaysian Registration of United Kingdom Patents Act 1951 and which registrations had been valid and subsisting at all relevant times. Certain associated companies of the plaintiffs' manufactured the drug in different parts of the world, including in a factory in England, another in Belgium and yet another in Australia. The drug manufactured in each of these factories was packed in packets and there was nothing on the packets to indicate that there were restrictions as to the geographical area in which the drug may be sold. The plaintiffs purported to appoint FE Zuellig (M) Sdn Bhd to be the sole importer and distributor of the drug in West Malaysia. The defendants were retailers of, inter alia, the drug. Their suppliers had been FE Zuellig (M) Sdn Bhd as well as a British supplier Stainweld Ltd. The drug produced in Britain as well as in Belgium was apparently available freely in the open market in the United Kingdom (the 'UK') in which Stainweld Ltd apparently purchased quantities of British-manufactured and or Belgian-manufactured cimetidine which they sold to the defendants as importers of the drug and who in turn had been retailing the drug in West Malaysia. The plaintiffs commenced an action against the defendants, seeking a declaration that the defendants had infringed the plaintiffs' rights as acquired by the registration of their patents in West Malaysia.

The plaintiffs had obtained an interlocutory injunction restraining the defendants from importing the drug and also had obtained Anton Piller orders against the defendants which injunction and orders were set aside by the Supreme Court. The plaintiffs adduced evidence to the effect that they had appointed specified wholesalers in the UK and that Stainweld Ltd were not one of them. The British wholesalers had apparently been told of restrictions in respect of the export of the drug outside the European Economic Community ('EEC') countries but the plaintiffs could not say whether the wholesalers had in turn imposed those restrictive conditions on their customers. The plaintiffs conceded that their associated companies in Belgium and Australia were entitled to sell what they produced but could not say whether restrictions had been placed on them as to whom or where they could sell the drug produced by them. It also appeared that the Treaty of Rome (which related to the establishment of the EEC) prohibited the imposition of such restrictions on the Belgian product.

It was contended for the defendants that the prohibition against infringement of a patent contained in the United Kingdom Patents Act 1977 had no application in the States of Malaya despite the registration of the patents in West Malaysia in the instant case. They contended that the prohibition against infringement applied only to doing things in the UK. It was also contended for the defendants that the UK statute did not apply in West Malaysia because of the effect of ss 3(1) and 5(1) of the Civil Law Act 1956 and also because the administrative machinery for the implementation of the UK statute did not exist in West Malaysia. The defendants said that at all relevant times they had been dealing with the drug without notice of any restriction in respect of re-sale of the drug and that when they learnt that the drug sold in the UK should have been sold subject to conditions and that the plaintiffs claimed to enjoy the right to impose monopoly in respect of importation of the drug into West Malaysia they (the defendants) ceased further importation of the drug. It was submitted for them that in the event that the claim was dismissed the court should award damages to the defendants on the basis of loss of sales as a result of the injunction.

Held, dismissing the claim:

(1) The purport of the Malaysian Act generally and the effect of s 6 of the Act in particular is to confer on the patentee, upon registration of his patent in West Malaysia, rights and privileges as if the patent had been granted in West Malaysia and in respect of West Malaysia. Section 60(1)(a) of the UK Act when invoked in Malaysia, as had been done in the instant case, should be read with the words 'United Kingdom' therein read as 'States of Malaya'. The terms of the Malaysian Act read as a whole make this obvious. If the Act is not read in that way it becomes a pointless piece of legislation. It is trite law that as far as possible a statute should not be read to give it an effect that it is a pointless piece of legislation.

(2) Section 3(1) of the Civil Law Act 1956 which provides for the application of English common law and the rules of equity has no application because the Registration of United Kingdom Patents Act 1951 is written law and it is by the provisions of that written law and not by the application of the common law by invoking s 3(1) of the Civil Law Act 1956 that the privileges and rights similar to that enjoyed in the UK in the Malaysian context are conferred on the patentee who has his UK patent registered. Similarly, s 5(1) of the Civil Law Act regarding the application of English mercantile law as administered on 7 April 1956 has no relevance to the issue. Again, it is not by virtue of s 5(1) of the Civil Law Act that the English Act of 1977 is applied here but by the terms of the Registration of United Kingdom Patents Act 1951. In any event it has been held that 'mercantile law' does not necessarily include the laws pertaining to intellectual property. Further, s 5(1) of the Civil Law Act is, as can be seen from the section itself, to be read subject to any written law, the written law to be read (assuming that the said s 5(1) is relevant) being the Registration of United Kingdom Patents Act 1951.

(3) In this case the Registration of United Kingdom Patents Act 1951 can be given effect, even though the invocation

in West Malaysia of some of the sections of the English Act may be ineffective or inapplicable.

(4) On the evidence, the defendants in purchasing the drug from Stainweld Ltd and retailing it in West Malaysia were not aware of any restriction imposed on the drug in respect of import into and re-sale in West Malaysia.

(5) Where the plaintiffs by themselves or by their associated company sold their patented product in, say, the UK, without giving effective notice of any restriction in respect of the re-sale and the product was purchased by a West Malaysian merchant by way of import, that the plaintiffs or some associated company of the plaintiffs happen to have patent rights in West Malaysia that give them exclusive rights to import the product into West Malaysia will be of no avail to them vis-à-vis such an innocent importer of the product. The law will imply the consent of the plaintiffs and their associated companies to an undisturbed and unrestricted use of the chattels that had been sold. Such implied consent can be invoked wherever those chattels end up. No doubt any importation of the drug by the defendants after effective notice of restrictions against doing so would be an infringement of the patent but there being no evidence of such importation after notice, the plaintiffs' claim was dismissed.

(6) The plaintiffs were entitled to stop further importations. The patents as registered had given them that right. Accordingly the application by the defendants for an award of damages was refused.

Obiter: If it were found that the general provisions of imported legislation is inapplicable in the country the courts have the jurisdiction, and will not hesitate, to exercise such jurisdiction to strike down such inapplicable law on the principle lex non cogit impossibilia.

Cases referred to

1 *In re The Agreement between Polistil SPA and Arboismodelud* [1985] FSR 7 (refd)
2 *Quan Yick* v *Hinds* (1905) 2 CLR 345 (follid)
3 *Betts* v *Willmot* (1870-71) LR 6 Ch App 239 (follid)
4 *Alfred Dunhill Ltd* v *Griffith Bros* (1934) 51 RPC 93 (refd)
5 *Dunlop Rubber Co Ltd* v *Longlife Battery Report* [1958] 3 All ER 197 (refd)
6 *National Phonograph Co of Australia Ltd* v *Menck* [1911] AC 336 (refd)
7 *Time-Life International (Nederlands) BV* v *Interstate Parcel Express Co* [1978] FSR 251 (refd)

Legislation referred to

Civil Law Act 1956 ss 3(1), 5(1)
Registration of United Kingdom Patents Act 1951 s 6
Patents Act 1977 [UK] s 60(1)

SF Wong for the plaintiffs.
H Jayaram for the defendants.

Cur Adv Vult

VC George J: Cimetidine is a drug for the treatment of duodenal and gastric ulcers and related diseases. The drug was invented and developed by the plaintiffs and has been retailed in West Malaysia as well as in many other countries under the trade name Tagamet. The plaintiffs are grantees of two letters of patent in respect of cimetidine (hereafter referred to as 'the drug') in the United Kingdom which patents have been registered in West Malaysia pursuant to the Malaysian Registration of UK Patents Act of 1951 and certificates thereof issued being No 228/76 and 229/76 respectively which registrations have at all relevant times been valid and subsisting.

The plaintiffs have associated companies in different parts of the world with factories producing the said drug including a factory at Welwyn Garden City in England, another in Belgium and yet another in Australia. The drug manufactured in each of those factories is packed in packets for the retail market. There is nothing on the packets to indicate that there are restrictions as to the geographical area in which the packets may be sold. The plaintiffs purported to appoint FE Zuellig (M) Sdn Bhd to be the sole importer and distributor of the drug in West Malaysia. The plaintiffs contend that it is against their trade policies for the drug sold in the United Kingdom and in the European Economic Community ('EEC') countries to be imported into West Malaysia and that they have not authorized anybody to do so and that even their sole Malaysian importer FE Zuellig (M) Sdn Bhd only has the authority to import into West Malaysia cimetidine manufactured in Australia.

The defendants are druggists in Kuala Lumpur and, inter alia, retail the drug. Their suppliers have been the said FE Zuellig (M) Sdn Bhd as well as a British supplier known as Stainweld Ltd. The drug produced in England as well as in Belgium is apparently available freely in the open market in the United Kingdom from which open market Stainweld Ltd apparently purchased the quantities of British and/or Belgian cimetidine which they sold to the defendants as importers of the drug and who in turn have been retailing the drug in West Malaysia. The plaintiffs say that thereby the defendants have infringed the plaintiffs' rights acquired by the registration of their patents in West Malaysia.

The defendants in response to the plaintiffs' complaints say that they bought the drug from Stainweld Ltd without knowledge of any restrictions in respect of re-sale. The commercial manager of the plaintiffs, one David Stewart Heron testified and said that the plaintiffs have appointed specified wholesalers in the United Kingdom and Stainweld Ltd is not one of them. The British wholesalers appointed by the plaintiffs have apparently been told of restrictions in respect of the export of the drug outside the EEC countries. But Mr Heron could not say whether the wholesalers have in turn imposed those restrictive conditions on their customers. In particular whether Stainweld Ltd, who must have been a customer of one or more of the duly appointed wholesalers, have been told of the geographical restrictions in respect of the sale of the drug purchased by them is not known – the plaintiffs could not assist the court with evidence in respect of this. Further, while Mr Heron

conceded that associated companies of the plaintiffs produced the drug in Belgium and in Australia and were entitled to sell what they produced he could not say whether restrictions had been placed on them as to whom or where they could sell the drug produced by them. It would appear in any event that the EEC Treaty known as the Treaty of Rome has the effect of prohibiting any such restrictions on the Belgian product – See art 85(1) of the Treaty of Rome; see also *In re The Agreement between Polistil SPA and Arboismodelud.*[1] Also, WR Cornish, *Intellectual Property: Patent Copyright, Trade Marks and Allied Rights,* 1981, p 199.

The position then is that the Belgians may not have had restrictions, in any event effective restrictions, placed on them in respect of where and to whom they could sell the product and they may have validly sold it in the United Kingdom without imposing conditions in respect of re-sale. Stainweld Ltd could very well have purchased such Belgian-made cimetidine. Further, whether the duly approved wholesalers of the plaintiffs in the United Kingdom dealing with the United Kingdom produced drug do impose restrictions on their customers is not known. What is clear is that there are such restrictions which are not shown on the packets in which the drug is sold. Accordingly I do find that in all probability Stainweld Ltd could have purchased the drug without any effective notice of the alleged restrictions and that the defendants could in turn have purchased the drug from Stainweld Ltd without knowing of the restrictions. In any event the evidence is that Stainweld Ltd in selling the drug to the defendants informed them that there were no binding conditions in respect of re-sale on them. They say in their letter at p 36 of the agreed bundle AB that they were not aware of any restrictions in respect of re-sale by them of the drug purchased in England. On the basis of all this, it is my finding that the defendants in purchasing the drug from Stainweld Ltd and retailing it in West Malaysia were not aware of any restrictions imposed on the drug in respect of import into and re-sale in West Malaysia.

Now, for the defendants it has been argued that in spite of s 6 of the Registration of UK Patents Act 1951 which provides that registration of a UK patent in the States of Malaya confers on the applicant for registration privileges and rights similar in all respects to those conferred on the patentee by the issue of the patent in the United Kingdom, s 60(1)(a) of the UK Patents Act of 1977 has no application in the States of Malaya. The relevant portion of s 60(1)(a) reads as follows:

> Subject to the provisions of this section, a person infringes a patent for an invention if, but only if, while the patent is in force, he does any of the following things in the United Kingdom in relation to the invention without the consent of the proprietor of the patent, that is to say ... where the invention is a product, he makes, disposes of, offers to dispose of, uses or imports the product or keeps it whether for disposal of otherwise ...

The contention appears to be that the prohibitions imposed by the section has reference to doing things in the United Kingdom. It is contended that s 6 of the Malaysian Act does not have the effect of prohibiting the doing of those things or any of them in the States of Malaya.

In my judgment the purport of the Malaysian Act generally and the effect of s 6 of the Malaysian Act in particular is to confer on the patentee, upon registration of his patent in West Malaysia, rights and privileges as if the patent has been granted in West Malaysia and in respect of West Malaysia. Section 60(1)(a) of the UK Act when invoked in West Malaysia, as has been done in the instant case, should be read with the words 'United Kingdom' therein read as 'States of Malaya'. The tenor of the Malaysian Act read as a whole makes this obvious. If the Act is not read in that way it becomes a pointless piece of legislation. It is trite that as far as possible a statute should not be read to give it an effect such that it is a pointless piece of legislation. It was also contended on behalf of the defendants that s 60(1)(a) of the UK Patents Act of 1977 will not apply in West Malaysia because of the effect of ss 3(1) and 5(1) of the Civil Law Act 1956.

Section 3(1) provides for the application of English common law and the rules of equity but as they were as at 7 April 1956:

> 3 (1) Save so far as other provision has been made or may hereafter be made by any written law in force in Malaysia, the Court shall -
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> (a) in West Malaysia or any part thereof apply the common law of England and the rules of equity as administered in England on the 7th day of April, 1956.

The contention on behalf of the defendants is that because of the freezing, as it were, of the common law as at 7 April 1956 the English Patents Act of 1977 has no application in West Malaysia. Such a contention is misconceived. The Registration of UK Patents Act 1951 is written law and it is by the provisions of that written law and not by the application of the common law by invoking s 3(1) of the Civil Law Act 1956 that the privileges and rights similar to that enjoyed in the United Kingdom in the Malaysian context are conferred on the patentee who has his UK patent registered here. Similarly, s 5(1) of the Civil Law Act has no relevance to the issue. The contention is that since by that section, in respect of mercantile law, the law as administered in England on the coming into force of the Civil Law Act of 1956 (that is, on 7 April 1956) would be administered here, the 1977 English Patents Act being a post 7 April 1956 law cannot be applied here. Again, it is not by virtue of the said s 5(1) that the 1977 English Act is applied here but by the terms of the Registration of UK Patents Act 1951. In any event it has been held that 'mercantile' law does not

necessarily include the laws pertaining to intellectual property. Further s 5(1) is, as can be seen from the section itself, to be read subject to any written law, the written law to be read (assuming that the said s 5(1) is relevant) being the Registration of UK Patents Act 1951.

Another contention made on behalf of the defendants was that the administrative machinery for the implementation of the UK Patents Act does not exist in West Malaysia and for that reason the provisions of the Act cannot be enforced in Malaysia and that accordingly it cannot be invoked. In my judgment such a pragmatic approach would normally have to give way to the terms of the written law, in this case the Registration of UK Patents Act 1951, even though the invocation in West Malaysia of some of the sections of the English Act may be ineffective or inapplicable. Professor Bartholomew is reported to have said that we cannot import English legislation into Malaysia unless there is the necessary administrative machinery in Malaysia akin (in the context) to that in the United Kingdom. In my view there is no question but that we should not do so but that does not mean to say that we cannot. In respect of patents whether we should or should not have done so, we in fact have. No doubt lex non cogit ad impossibilia. Griffith CJ in *Quan Yick* v *Hinds*[2] at p 364 stated, in my respectful view, the correct approach to be taken in the context of the importation of foreign legislation:

> If the general provisions of a statute were not unsuitable to the conditions of the colony the mere fact that some minor or severable provisions could not come into operation owing to local circumstances is not a sufficient reason for denying the applicability of the statute as a whole. On the other hand, if the general provisions of a statute were inapplicable it would seem to follow that it is not competent to select a particular provision of the statute, which if it stood alone might be applicable, and to say that it is therefore applicable.

In deciding the issue of impossibilia I would add to what Griffith CJ said: If it were found that the general provisions of such an imported legislation is inapplicable in the country the courts have the jurisdiction to and will not hesitate to exercise such jurisdiction to strike down such inapplicable law on the principle lex non cogit impossibilia.

It is contended that at all relevant times the defendants were dealing with genuine Tagamet (produced by factories authorized to do so by the plaintiffs) and, as has been seen, without notice of any restrictions in respect of the re-sale of the drug. Eventually when it was brought home to them that the drugs sold in the United Kingdom should have been sold subject to conditions and that the plaintiffs claimed to enjoy the right to impose a monopoly in respect of importation of the drug into West Malaysia the defendants ceased further importation. The evidence by Mr AA Anwaruddin, a director of the defendant company, is that although the Supreme Court set aside the interlocutory injunction and Anton Piller orders obtained by the plaintiffs, the defendants did not resume importation of the drug 'because of the warning letter from the plaintiffs'.

The genuineness of the product imported and sold by the defendants is not questioned. As to whether the defendants had notice of conditions imposed in respect of the drugs they had purchased in or had imported from the United Kingdom, on the evidence before the court I have found as a fact on probabilities that the defendants were not aware of any such conditions. In *Betts* v *Willmot*[3] Lord Hatherley LC said at p 245:

> ...unless it can be shewn, not that there is some clear injunction to his agents, but that there is some clear communication to the party to whom the article is sold, I apprehend that, inasmuch as he has the right of vending the goods in France or Belgium or England, or in any other quarter of the globe, he transfers with the goods necessarily the license to use them wherever the purchaser pleases. When a man has purchased an article he expects to have the control of it, and there must be some clear and explicit agreement to the contrary to justify the vendor in saying that he had not given the purchaser his licence to sell the article, or to use it wherever he pleases as against himself.

It seems inexplicable that the plaintiffs should not have indicated on the packaging and labelling of the products that they impose conditions in respect of re-sale. It is all very well for the plaintiffs to have their own trade policies and for them to divide the world into sections to suit their policies but they cannot expect the rest of the world to know of their policies or to give cognisance to them unless notice of the restrictions they impose is given to those who deal not only directly with them but to those who indirectly deal with them, eg retailers and wholesalers not on their list. In respect of notices clarity is called for. That is just plain common sense. In any event see *Alfred Dunhill Ltd* v *Griffith Bros*[4] and *Dunlop Rubber Co Ltd* v *Longlife Battery Report*[5] at p 201.

In a situation where the drug manufactured in the United Kingdom and in Belgium is sold in the open market in the United Kingdom without notice of restrictions in respect of re-sale given to the purchaser, any complaint of breach of such restrictions cannot be heard. In *National Phonograph Co of Australia Ltd* v *Menck*[6] at p 349 the advice of the Privy Council in dealing with the effect of patented chattels, vis-à-vis restrictions sought to be attached to the chattels by means of the patent, inter alia, states:

> All that is affirmed is that the general doctrine of absolute freedom of disposal of chattels of an ordinary kind is, in the case of patented chattels, subject to the restriction that the person purchasing them, and in the knowledge of the conditions attached by the patentee, which knowledge is clearly brought home to himself, at the time of sale, shall be bound by the knowledge and accept the situation of ownership

subject to the limitations. These limitations are merely the respect paid and the effect given to those conditions of transfer of the patented article which the law, laid down by statute, gave the original patentee a power to impose. Whether the law on this head should be changed and the power of sale sub modo should be withdrawn or limited is not a question for a court. It may be added that where a patented article has been acquired by sale, much, if not all, may be implied as to the consent of the licensee to an undisturbed and unrestricted use thereof. In short, such a sale negatives in the ordinary case the imposition of conditions and the bringing home to the knowledge of the owner of the patented goods that restrictions are laid upon him.

The passage was relied on by the High Court of Australia in its judgment in *Time-Life International (Nederlands) BV* v *Interstate Parcel Express Co*[7] which judgment went on to state at p 272:

By the grant of a patent in traditional form, a patentee is granted exclusive power to 'make, use, exercise and vend' the invention. The sale of a patented article, by the patentee, would be quite futile, from the point of view of the buyer, if the buyer was not entitled either to use or to re-sell the article which he had bought. It therefore seems necessary, in order to give business efficacy to such a sale, to imply a term that the patentee consents to the use of the patented article by the buyer and those claiming under him. The law accordingly does ordinarily imply the consent of the patentee 'to an undisturbed and unrestricted use' of the patented article.

I would take the position a little further: where the plaintiffs by themselves or by their associated company sell their patented product in, say, the United Kingdom, without giving effective notice of any restrictions in respect of the re-sale and the product is purchased by a Malaysian merchant by way of import, that the plaintiffs or some associated company of the plaintiffs happen to have patent rights in West Malaysia that gives them exclusive rights to import the product into West Malaysia will be of no avail to them vis-à-vis such an innocent importer of the product. As was said in *Time-Life* v *Interstate Parcel Express Co*[7] at p 272 the law will imply the consent of the plaintiffs and its associated companies to an undisturbed and unrestricted use of the chattels that had been sold. Such implied consent can be invoked wherever those chattels end up.

The United Kingdom is one of the great market places of the world. Hundreds of merchants from all over the world and in particular from the Commonwealth countries move into the market place that is the United Kingdom to buy the various products sold in the open market there, a fact no doubt known and taken advantage of by the plaintiffs and their British wholesalers. In the premises it is difficult not to conclude that the only reason for the plaintiffs and their associated companies not indicating clearly or at all the restrictions in respect of sale on the labelling or packaging is that they wanted to negative any inhibitions on the part of purchasers in the United Kingdom from purchasing the drug. There seems to be a wanting to have the cake and eat it. This the law will not allow. A sort of estoppel will be invoked against such a plaintiff.

While the plaintiffs are entitled to the declaration that the patents registered as 228/76 and 229/76 corresponding to the UK Patents Nos 1338169 and 1397436 respectively are valid and subsisting in West Malaysia in favour of the plaintiffs, the plaintiffs are not entitled to a declaration that the defendants have infringed them. No doubt any importation of the drug by the defendants after effective notice of restrictions against doing so would be an infringement of the patent but there being no evidence of such importation after notice, the plaintiffs' claim is dismissed with costs.

For the defendants it has been submitted that in the event the claim is dismissed I should award damages to the defendants on the basis of loss of sale as a result of the injunction imposed. In my judgment the plaintiffs were entitled to stop further importations. The patents as registered have given them that right. Accordingly the application by the defendants for an award of damages is refused.

Order accordingly.

Solicitors: *Shearn Delamore & Co; Ram Rais & Yap.*

Reported by *PS Ranjan*